

CG TECHNOLOGY DEVELOPMENT, LLC
et al.,

Plaintiffs,

vs.

BWIN.PARTY (USA), INC. et al.,

Defendants.

ORDER

I. FACTS AND PROCEDURAL HISTORY

1 of 10

CG Tech is the assignee of U.S. Patent No. RE39,818. Plaintiff Interactive Games Limited (“IG Ltd”) is the assignee of U.S. Patent Nos. 6,899,628; 6,979,267; 8,342,924; 7,029,394; and 9,111,417. Plaintiff Interactive Games LLC (“IG LLC”) is the assignee of U.S. Patent Nos. 7,534,169; 8,771,058; 8,814,664; 9,355,518; and 9,306,952. Plaintiffs have sued Defendants Bwin.Party Digital Entertainment, PLC (“Bwin”), Bwin.Party (USA), Inc. (“Bwin USA”), and Bwin.Party Entertainment (NJ), LLC (“Bwin NJ”) in this Court for direct and willful infringement via operation of its various online casino games. Bwin USA and Bwin NJ asked the Court to dismiss the infringement claims as to the ‘058, ‘664, ‘518, and ‘952 Patents based on unpatentability under 35 U.S.C. § 101.¹ The Court denied the motion. Defendants have asked the Court to reconsider and have separately asked the Court to dismiss the claims of infringement of the ‘818, ‘058, ‘664, ‘518, and ‘952 Patents for failure to state a claim.

II. DISCUSSION

A. Motion to Dismiss

Plaintiffs argue that Rule 12(g) prevents the present motion due to Defendants’ failure to raise the challenges brought now in their previous motion under Rule 12(b). Plaintiffs are correct. A party waives challenges omitted from a first motion under Rule 12, “[e]xcept as provided in Rule 12(h)(2) or (3).” *See* Fed R. Civ. P. 12(g)(2). Rule 12(h)(2)² provides that the defense of failure to state a claim, *inter alia*, may be raised in a pleading, at trial, or in a motion a

¹ The Court has already ruled in a related case brought by Plaintiffs against another defendant that the claims of the ‘924, ‘267, ‘628, ‘394, ‘417, and ‘169 Patents asserted in that case were invalid under § 101. (*See* Order, ECF No. 36 in *CG Tech. Dev., LLC v. Big Fish Games, Inc.*, No. 2:16-cv-857). The Court ruled that the ‘818 Patent was not invalid under § 101 and also gave Plaintiffs leave to amend to allege infringement of claims not depending from the invalid claims. (*See id.*).

² Rule 12(h)(3), which concerns subject matter jurisdiction, is inapplicable here.

1 cfor judgment on the pleadings under Rule 12(c). *See* Fed. R. Civ. P. 12(h)(2). Defendants have
2 not made a motion under Rule 12(c), nor can the Court so treat the present motion, because
3 Defendants have not yet answered, and such a motion may only be made after the pleadings are
4 closed. *See* Fed. R. Civ. P. 12(c). Defendants argue that judicial efficiency counsels the early
5 dismissal of the claims, but the Court may not countermand the Civil Rules in the name of
6 judicial efficiency. Rather, the Court agrees with the reported opinion of a sister district court
7 that a successive motion to dismiss is not permitted, even where a complaint is amended after the
8 previous motion is filed (which is not even the case here), so long as the basis for the latter
9 motion was available by virtue of the operative version of the complaint at the time of the
10 previous motion. *See Northstar Fin. Advisors Inc. v. Schwab Invs.*, 135 F. Supp. 3d 1059, 1070–
11 71 (N.D. Cal. 2015) (Koh, J.). The Court denies the motion to dismiss.

12 **B. Motion to Reconsider**

13 Defendants argue that the Court should have ruled the ‘058, ‘664, ‘518, and ‘952 Patents
14 to be patent-ineligible under § 101. They argue that the Court applied the concept of
15 abstractness too narrowly at the first *Alice Corp.* step. They also argue that the Court’s ruling is
16 inconsistent with its ruling in Case No. 2:16-cv-857, finding the ‘924, ‘267, ‘628, ‘394, ‘417, and
17 ‘169 Patents to be invalid under § 101.

18 Commentators have noted the lack of clarity in the test for abstractness challenges under
19 § 101. *See, e.g.,* Shane D. Anderson, *Software, Abstractness, and Soft Physicality Requirements*,
20 29 Harvard J. L. & Tech. 567, 572–74 (2016). The *Alice Corp.* Court ruled that the
21 implementation of an abstract idea (such as an algorithm) onto a general purpose computer did
22 not provide a necessary “inventive concept” to make the use of the idea patentable, but the Court
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1 did not define “abstract idea” apart from giving examples from prior case law. Brady P. Gleason,
2 *Don’t Give Up Section 101, Don’t Ever Give Up*, 65 Cath. U. L. Rev. 773, 790 (2016).

3 Plaintiffs argue that the *Alice Corp.* Court “found that a ‘physical’ implementation of an
4 abstract idea by a computer was ‘beside the point.’” (Mot. Recon. 3 (citing *Alice Corp. Pty. Ltd.*
5 *v. CLS Bank Int’l*, 134 S. Ct. 2347, 2358–59 (2014))). What the *Alice Corp.* Court found to be
6 “beside the point,” however, was not the physical implementation of abstract ideas generally, but
7 rather the simple fact that a generic computer is itself a physical object. *See id.* That fact did
8 nothing to change the fact that the physical computer was being used purely in its capacity as a
9 generalized computing device to perform abstract calculations. *See id.* at 2359. In the present
10 case, the geolocation step of the relevant claims adds a physical component that is lacking in
11 *Alice Corp.*-type claims. The geolocation step is a concrete task requiring physical activity
12 beyond that necessarily attendant to the computing (thinking) capabilities of a generic computer.
13 Plaintiffs also read a rule into the Court of Appeals’ dictum in *Affinity Labs. of Tex., LLC v.*
14 *DIRECTV, LLC*, 838 F.3d 1253 (Fed. Cir. 2016) that the Court does not perceive, and which
15 would conflict with decades-old case law preserving the distinction between the tests for
16 patentability and anticipation. *See infra.* In *Affinity Labs.*, the Court of Appeals invalidated a
17 patent that “claim[ed] the general concept of out-of-region delivery of broadcast content through
18 the use of conventional devices, without offering any technological means of effecting that
19 concept.” *Id.* at 1262. Also, “the claims [we]re directed not to an improvement in cellular
20 telephones but simply to the use of cellular telephones as tools in the aid of a process focused on
21 an abstract idea. That is not enough to constitute patentable subject matter.” *Id.* The Court of
22 Appeals’ comments concerning “longstanding business practice” were made in recounting the
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1 holding of the lower court and a similar holding of the Court of Appeals in a previous case
2 concerning the patentability of business practices.

3 The Court of Appeals has addressed abstractness since *Alice Corp.* In *In re Smith*, the
4 Court of Appeals affirmed the rejection of a patent claim directed to a casino game under *Alice*
5 *Corp.* See 815 F.3d 816, 819 (Fed. Cir. 2016). The applicant had attempted to patent a method
6 for dealing a card game while accepting and paying bets, as in a casino. See *id.* at 817–18.³
7 Applying the two-step test under *Alice Corp.*, the Court of Appeals first found that “rules for
8 conducting a wagering game” constituted an abstract idea. See *id.* at 818–19. In affirming the
9 examiner’s rejection of the claim, the Patent Trial and Appeals Board had correctly noted that,
10 “[a] wagering game is, effectively, a method of exchanging and resolving financial obligations
11 based on probabilities created during the distribution of the cards.” *Id.* (alteration in original).
12 Methods of conducting wagering games were just as abstract as methods of exchanging financial
13 obligations and hedging risk. *Id.* at 819 (citing *Alice Corp.*, 134 S. Ct. 2347; *Bilski v. Kappos*,
14 561 U.S. 593 (2010)). The Court of Appeals noted that its “own cases have denied patentability
15 of similar concepts as being directed towards ineligible subject matter.” *Id.* (citing *OIP Techs.,*
16 *Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (finding offer-based price
17 optimization abstract), *cert. denied*, 136 S. Ct. 701 (2015); *Planet Bingo, LLC v. VKGS LLC*, 576
18 Fed. Appx. 1005, 1007–08 (Fed. Cir. 2014) (determining that methods of managing a game of
19 bingo were abstract ideas)). The Court of Appeals then found that the claim contained no
20 inventive concept sufficient to transform the abstract idea into a patent eligible application. See
21 *id.* The Court of Appeals rejected the argument that the requirement of shuffling and dealing
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24 ³ Although the patent application was titled “Blackjack Variation,” the claim at issue appears to
have been directed to a variation of baccarat. See *id.*

1 physical playing cards was sufficient, because, like the recitation of computer implementation in
2 *Alice Corp.*, shuffling and dealing a standard deck of cards was a “purely conventional step[.]”
3 *See id.*

4 The Court has not changed its opinion that the best test for abstractness under the first
5 *Alice Corp.* step is whether the invention can be practiced entirely in the mind of a sufficiently
6 intelligent person:

7 Such a method that can be performed by human thought alone is merely an abstract
8 idea and is not patent-eligible under § 101. Methods which can be performed
9 entirely in the human mind are unpatentable not because there is anything wrong
10 with claiming mental method steps as part of a process containing non-mental steps,
but rather because computational methods which can be performed entirely in the
human mind are the types of methods that embody the “basic tools of scientific and
technological work” that are free to all men and reserved exclusively to none.

11 *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1373 (Fed. Cir. 2011) (citing
12 *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)) (footnote omitted). This interpretation comports
13 with nearly half a century of case law. *See id.*; *Parker v. Flook*, 437 U.S. 584 (1978); *Gottschalk*,
14 409 U.S. 63. The Supreme Court has held, however, that processes containing one or more steps
15 that can be conducted in the abstract (such as mathematical formulae) are not unpatentable under
16 § 101 so long as it is not the abstract concepts themselves that are sought to be patented and the
17 process sought to be patented is not abstract as a whole. *See Diamond v. Diehr*, 450 U.S. 175,
18 191–92 (1981) (refusing to invalidate a claim for a method of molding rubber simply because the
19 claim recited mathematical formulae). As this Court has noted, the cases stand for the
20 proposition that the recitation of a generic computer does not make patentable a process that is
21 otherwise unpatentable under § 101, but not for the putative inverse proposition that the
22 recitation of a generic computer makes unpatentable a process that is otherwise patentable under
23 § 101. *See id.* at 187 (“[A] claim drawn to subject matter otherwise statutory does not become
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1 nonstatutory simply because it uses a mathematical formula, computer program, or digital
2 computer. . . . It is now commonplace that an *application* of a law of nature or mathematical
3 formula to a known structure or process may well be deserving of patent protection.”); Donald S.
4 Chisum, 1 Chisum on Patents § 1.03[6], at 1-182 (2016) (“[I]n *Alice Corp.* . . . the Court held
5 that attaching a requirement of computer implementation to method claims . . . would not render
6 the claims patent eligible if the method was otherwise a patent ineligible abstract idea.”).

7 The *Diamond* Court also made clear that the tests for abstractness and anticipation are
8 distinct, citing the clearly expressed intent in the Senate Report on the 1952 Patent Act that
9 § 101’s “novelty” requirement was to be interpreted by way of the standards elucidated under
10 § 102:

11 In determining the eligibility of respondents’ claimed process for patent
12 protection under § 101, their claims must be considered as a whole. It is
13 inappropriate to dissect the claims into old and new elements and then to ignore the
14 presence of the old elements in the analysis. *This is particularly true in a process*
15 *claim because a new combination of steps in a process may be patentable even*
16 *though all the constituents of the combination were **well known and in common***
17 *use before the combination was made. The “novelty” of any element or steps in a*
18 *process, or even of the process itself, is of no relevance in determining whether the*
19 *subject matter of a claim falls within the § 101 categories of possibly patentable*
20 *subject matter.*

21 It has been urged that novelty is an appropriate consideration under § 101.
22 Presumably, this argument results from the language in § 101 referring to any “new
23 and useful” process, machine, etc. Section 101, however, is a general statement of
24 the type of subject matter that is eligible for patent protection “subject to the
conditions and requirements of this title.” Specific conditions for patentability
follow and § 102 covers in detail the conditions relating to novelty. The question
therefore of whether a particular invention is novel is “wholly apart from whether
the invention falls into a category of statutory subject matter.” The legislative
history of the 1952 Patent Act is in accord with this reasoning.

... .

In this case, it may later be determined that the respondents’ process is not
deserving of patent protection because it fails to satisfy the statutory conditions of
novelty under § 102 or nonobviousness under § 103. A rejection on either of these

1 grounds does not affect the determination that respondents' claims recited subject
2 matter which was eligible for patent protection under § 101.

3 *Diamond*, 450 U.S. at 188–91 (citations and footnotes omitted; emphases added). For this
4 reason, the Court rejected Plaintiffs' argument that the claim at issue in this case is abstract
5 because its only physical aspect not relying on a computer's generalized computing capabilities
6 (the geolocation step) was (allegedly) well-known or long-practiced. The Court has found no
7 cases that abrogate the clearly expressed rule in *Diamond*. Notably, the *Alice Corp.* Court cited
8 *Diamond* twice without criticism. *See Alice Corp.*, 134 S. Ct. at 2354 (citing *Diamond*, 450 U.S.
9 at 187) (reaffirming that "an invention is not rendered ineligible for patent simply because it
10 involves an abstract concept"); *id.* at 2355 n.3 (citing *Diamond*, 450 U.S. at 188) (quoting the
11 rule that "patent claims must be considered as a whole"). Given the *Alice Corp.* Court's
12 conspicuous declination to criticize *Diamond* while twice citing thereto in a case that implicated
13 *Diamond*'s core holding, this Court is heavily disinclined to interpret any ambiguous language
14 by the Supreme Court (much less the Court of Appeals) as having abrogated the rule of that
15 case.⁴

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17 4 It is important to note that *Alice Corp.* did not create the abstractness bar to patentability but
18 rather introduced new language to apply an old rule, just as other cases in this line had done.
19 Some form of the two-step test for the patentability of processes directed to abstract concepts had
20 been in use for at least 36 years before *Alice Corp.* was decided. *See In re Freeman*, 573 F.2d
21 1237, 1245 (C.C.P.A. 1978) ("First, it must be determined whether the claim directly or
22 indirectly recites an 'algorithm' in the *Benson* sense of that term Second, the claim must be
23 further analyzed to ascertain whether in its entirety it wholly preempts that algorithm."). The
24 Court of Appeals adjusted the test in 2008. *See In re Bilski*, 545 F.3d 943, 957 (Fed. Cir. 2008)
(holding that non-preemption under the second step of what was then called the "*Freeman–Walter–Abele* test" requires that the claim be "tied to a particular machine or bring[] about a particular transformation of a particular article"). The *Alice Corp.* Court noted that it had previously held that the "machine-or-transformation test" was not the *sine qua non* of the patentability of process claims directed to abstract ideas under § 101, but that the crux of the test was the addition of an "inventive concept." *See Alice Corp.*, 134 S. Ct. at 2355 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012)).

1 The Supreme Court’s and Court of Appeals’ use of the word “conventional” appears to
2 stem from *Parker*. In that case, the Court ruled that “[t]he notion that post-solution activity, no
3 matter how conventional or obvious in itself, can transform an unpatentable principle into a
4 patentable process exalts form over substance.” *Parker*, 437 U.S. at 590. In other words, a
5 process utilizing an abstract principle is not patentable under § 101 simply because the inventor
6 instructs the practitioner to apply the result of the abstract activity, i.e., such as the application of
7 the use of the Pythagorean theorem to surveying techniques, *see id.*, or the dealing of cards
8 according to abstract rules, *see In re Smith*, 815 F.3d at 819. The *Parker* Court did not rule that a
9 concrete step within a method claim is necessarily insufficient in combination with the abstract
10 steps to render an invention patent-eligible under § 101 when considered as a whole simply by
11 virtue of the fact that the concrete step is “conventional.” The crux of the *Parker*
12 “conventionality” rule is that the mere post-solution concrete application of abstract activity is
13 not enough to render an invention as a whole non-abstract. In the present claims, the non-
14 abstract geolocation step (whether or not “conventional”) is not simply appended to the claim as
15 an application of completed abstract activity. The claim does not instruct the practitioner to
16 conduct some abstract calculation and then use the result to geolocate a device. To the contrary,
17 the result of the geolocation step here is utilized as an *input* for at least some of the abstract
18 computer-based activity.

19 Finally, the Court’s ruling is not inconsistent with its previous ruling that the ‘924, ‘267,
20 ‘628, ‘394, ‘417, and ‘169 Patents are invalid under § 101, because the relevant claims there
21 contained no geolocation step, as here, but involved nothing more than the utilization of generic
22 computing devices for their generic computing capabilities.

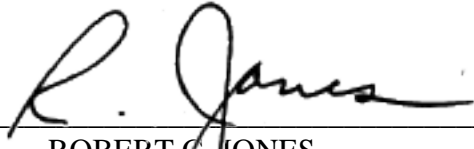
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CONCLUSION

IT IS HEREBY ORDERED that the Motion to Reconsider (ECF No. 46) and the Motion to Dismiss (ECF No. 47) are DENIED.

IT IS SO ORDERED.

Dated January 4, 2017.



ROBERT C. JONES
United States District Judge